

NEWS RELEASE



***OFFICE OF THE UNITED STATES ATTORNEY
SOUTHERN DISTRICT OF CALIFORNIA
San Diego, California***

***United States Attorney
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For Immediate Release

NEWS RELEASE SUMMARY - August 25, 2006

United States Attorney Carol C. Lam announced that United States District Court Judge Dana M. Sabraw today sentenced Sherif S. Gadalla, former co-owner of Computer Depot Warehouse in San Diego, California, to serve 12 months and a day in custody, and ordered him to pay \$852,057 to the Internal Revenue Service for taxes due on \$2.2 million in unreported income he received from 1998 to 2002. Gadalla, along with his brother, Samer S. Gadalla, his partner at Computer Depot, previously pled guilty to one count of filing a false tax return for 2002.

According to the plea agreement and the criminal information filed in the case, from 1998 to 2002, Sherif Gadalla was a part owner and operator of Computer Depot Warehouse, located at 9420 Clairemont Mesa Boulevard. During this period, the defendant received business revenue in cash, which he spent for his personal benefit or concealed in various locations in his residence. Sherif Gadalla did not report \$2,224,210 in income he received from the business operation from 1998 to 2002, and on the tax returns he actually filed during that period, reported only \$67,699 in income, thereby paying only \$29,831 in taxes. Sherif Gadalla

was sentenced on the total amount of tax loss caused by his concealment of income for the years 1998 through 2002. Gadalla was also sentenced to serve a one year term of supervised release, and ordered to pay a \$100 special assessment. At the sentencing today, Gadalla handed a check to representatives of the IRS for the full amount of the unpaid taxes, which totaled \$857,041.

According to Assistant U.S. Attorney George Aguilar, who prosecuted the case, Gadalla's business partner and brother, Samer Gadalla, received the same sentence last week from Judge Sabraw for his part in evading \$907,788 in taxes. Samer Gadalla did not report \$2,469,225 in income he received from the business operation from 1998 to 2002, and on the tax returns he actually filed during that period, reported only \$103,745 in income, thereby paying only \$37,895 in taxes. Samer Gadalla paid \$907,788 in unpaid taxes to the IRS at his sentencing. Both brothers are still liable to the IRS for unpaid civil financial penalties and interest for their evasion.

United States Attorney Lam said, "The Gadalla brothers believed they had concocted a cash-skimming tax evasion scheme that couldn't be detected. Their greed has now led them straight to prison."

According to Kenneth Hines, Special Agent in Charge, IRS Criminal Investigation, "IRS Special Agents utilize their investigative techniques and aggressively work financial investigations where individuals are involved in cash-skimming schemes and try to hide their assets. Individuals who think skimming their business cash receipts can go undetected, risk prosecution," said Hines.

DEFENDANT

Case Number: 05cr0594

Sherif S. Gadalla

SUMMARY OF CHARGES

Filing False Income Tax Returns, in violation of Title 26, United States Code, Section 7206(1)

AGENCY

Internal Revenue Service - Criminal Investigation Division